

# **Fiscal Services Division**

## **Legislative Services Agency**

### **Fiscal Note**

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HF 2741 - Electrician Licensing (LSB 5777 HV)

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Fiscal Note Version - New

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#### **Description**

House File 2741 provides for a statewide system of licensure for electricians and life safety installers, provisions regarding electrical inspections, and specifies related licensing and inspection fees. The new statewide licensure system supplements current licensure of electricians on a city-by-city basis, permitting electricians to practice on a statewide, as well as local basis. The Bill creates an 11-member board within the State Fire Marshal's Office. The Bill creates an Electrician and Installer Licensing and Inspection Fund where all licensing, registration, examination, inspections, and renewal fees are deposited and made available to the Board. The balance does not revert to the General Fund. Provisions of the Bill dealing with the Board take effect upon enactment. Provisions of the Bill relating to licensure take effect on January 1, 2007. Provisions of the Bill relating to inspections take effect on January 1, 2008.

#### **Background**

House File 2741 is similar to current Nebraska legislation. According to the Census Bureau, Nebraska has approximately 1.7 million people whereas Iowa's population is approximately 2.9 million. Similarly, Nebraska has approximately 666,000 total households and 723,000 total housing units whereas Iowa has approximately 1.2 million total households and 1.1 million total housing units. The State of Nebraska has 15 electrical inspectors and one supervisor who perform approximately 10,000 inspections annually or 2.5 inspections per day. The overall operating budget is approximately \$1.5 million, of which approximately \$1.1 million is for salaries and benefits. The software Nebraska uses for licensing and permits was originally designed for the State of North Dakota and cost approximately \$45,000 (depending on how many licenses are purchased).

#### **Licensing and Inspection Program Expense Assumptions**

1. The estimated number of personnel required to implement an inspection program is 37.0 FTE positions which includes 30.0 FTE positions for inspectors, 2.0 FTE positions for supervisors, 1.0 FTE position for a Bureau Chief, and 3.0 FTE positions for administrative staff. The estimated personnel cost for inspections would be \$2.0 million. The inspection function does not begin until FY 2008, however, due to a lag in hiring and training personnel, these costs will be reduced by half for FY 2008, or \$1.0 million. The Program will not generate sufficient revenue to hire and train these personnel in the last half of FY 2007.
2. The number of personnel required to implement a licensure program is 4.0 FTE positions at an estimated cost of \$206,000. Due to a lag in hiring and training personnel, these costs will be reduced by half for FY 2007, or \$103,000.
3. Other recurring costs for these two programs would be approximately \$187,000. This would include rent, printing, training, travel, and postage. These costs are pro-rated between the two fiscal years due to hiring lags.
4. The Bill also establishes an 11-member board, which is estimated to meet six times a year at \$100 per board member per meeting for a total cost estimate of \$6,600. This includes \$50 per day in per diem expenses and actual expenses. The costs for FY 2007 are estimated to be half since the appointment of the Board would need to occur.

5. The total one-time costs (including software, computers, and vehicles) is approximately \$937,000. Since the licensure starts in FY 2007 and the inspections start in FY 2008 and there will be a lag in hiring for both groups, the one-time costs are pro-rated across three fiscal years.
6. The estimate assumes a 4.5% merit increase and 2.0% cost-of-living increase per year for personnel costs.

### **Licensing and Inspection Program Revenue Assumptions Licensure**

1. The Bill establishes eight licensing categories with a maximum annual fee for each category, which can be adjusted by the Board through Administrative Rules. The fee amounts are for each year of a three-year license period or triple the amount reflected in the Bill, except for apprentice licenses which expire annually.

<b>License Type</b>	<b>Maximum Fee Amount Per Year</b>
Electrical Contractor	\$125
Class A Master	\$125
Class B Master	\$125
Class A Journeyman	\$25
Class B Journeyman	\$25
Life Safety Installer	\$25
Special Electrician	\$25
Apprentice	\$20

2. According to the Department of Workforce Development, there are 6,280 potential electricians. Of the 6,280, the Department of Public Safety estimates 30.0% would be eligible for a Master License (1,884), 60.0% would be eligible for a Journeyman License (3,768), and 10.0% would be eligible for an Apprentice License (628).
3. According to Division of Labor, there are 250 potential Electrical Contractors.
4. The number of Special Electricians or those people who perform electrical work on the side are estimated to be 750 people.
5. The estimate assumes that 250 electricians will also be licensed as Life Safety Installers.
6. The total number of licenses estimated to be authorized in one year is 7,530. This assumes that current inspections taking place in local jurisdictions will continue and some people may opt not to receive a State license.
7. For a three-year licensure period, the revenue generated is estimated to be \$1.2 million. Due to a lag, the revenue for the first year is approximately \$600,000. Applications for an apprentice license are annual. The revenue generated is estimated to be \$13,000. Due to a lag, the revenue for the first year is approximately \$6,500.

### **Inspections**

1. The estimated number of inspections annually is 20,000.
2. The estimated annual revenue from inspections is \$4.1 million. In FY 2008, the revenue is estimated to be \$2.0 million due to a lag in start up in inspections.
3. Each separate inspection of an installation, replacement, or repair is \$25. There will be approximately 2,000 (5.0%) separate inspections.
4. An inspection on zero to 100 amps is \$25 plus \$5 per branch circuit. The estimate assumes that 30.0% of the inspections (12,000) will be for this amperage. The average of 15 branch circuits per permit up to 100 amps is \$75.

5. An inspection on 100 to 200 amps is \$25 plus \$5 per branch circuit. The estimate assumes that 50.0% of the inspections (20,000) will be for this amperage. The average of 40 branch circuits per permit up to 200 amps is \$200.
6. An inspection on anything over 200 amps is \$20 plus \$5 per branch circuit. The estimate assumes that 10.0% of the inspections (4,000) will be for this amperage. The average of 100 branch circuits per permit over 200 amps is \$500.
7. Of the total number of inspections, the estimate assumes that 5.0% or 1,000 will be re-inspected. The fees for re-inspection range from \$50 to \$100.

### **Examinations**

1. Of the 6,280 electricians, it is assumed that 940 electricians would take the exam for a Class A Master electrician, 1,900 electricians would take the exam for a Class A Journeyman, and 250 electricians would take the exam for a Life Safety Installer.
2. The examination fees for a Class A Master Electrician is \$125, for a Class A Journeyman is \$60, and for a Life Safety Installer is \$60.
3. The estimated revenue from the initial licensure is \$247,000. In FY 2008, the revenue is estimated to be \$124,000 due to a lag in start up costs.

### **Correctional Impact**

The correctional impact for the simple misdemeanor penalty on a board member disclosing confidential information is not anticipated to be significant.

### **Fiscal Impact**

#### **Electrician Licensing and Inspection Program**

<b>Revenues</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Licensure Revenue</b>	\$ 607,000	\$ 607,000	\$ 43,000	\$ 650,000
<b>Inspection Revenue</b>	0	2,000,000	4,100,000	4,100,000
<b>Exam Revenue</b>	124,000	124,000	6,000	6,000
<b>Fund Carryforward</b>	0	528,300	1,462,700	2,662,900
<b>Total</b>	<u>\$ 731,000</u>	<u>\$ 3,259,300</u>	<u>\$ 5,611,700</u>	<u>\$ 7,418,900</u>
<b>Expenses</b>				
<b>Inspection Personnel Costs</b>	\$ 0	\$ 1,000,000	\$ 2,100,000	\$ 2,221,900
<b>Licensure Personnel Costs</b>	103,000	212,000	266,200	241,000
<b>Board Costs</b>	3,300	6,600	6,600	6,600
<b>Other Recurring Costs</b>	16,400	110,000	187,000	187,000
<b>One-Time Program Costs</b>	80,000	468,000	389,000	0
<b>Total</b>	<u>\$ 202,700</u>	<u>\$ 1,796,600</u>	<u>\$ 2,948,800</u>	<u>\$ 2,656,500</u>
<b>Net Revenue Per Fiscal Year</b>	<u><u>\$ 528,300</u></u>	<u><u>\$ 1,462,700</u></u>	<u><u>\$ 2,662,900</u></u>	<u><u>\$ 4,762,400</u></u>

At the end of four years, the Electrician and Installer Licensing and Inspection Fund will have a balance of approximately \$4.8 million, if the Board maintains the maximum fee structure established in HF 2741. Expenditures from the Fund are approved by the sole authority of the Board.

If a start-up appropriation were authorized in FY 2007, the first year expenses are anticipated to be \$200,000 to \$500,000, if hiring and training begins in FY 2007. By FY 2009, there would be enough carry forward revenue to pay back the General Fund start-up costs.

**Sources**

Iowa Workforce Development  
Iowa Division of Labor  
Department of Public Safety  
State of Nebraska  
U.S. Census Bureau

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/s/ Holly M. Lyons

March 14, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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